

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

|                                         |   |                             |
|-----------------------------------------|---|-----------------------------|
| <b>IN THE MATTER OF AVISTA AND THE</b>  | ) | <b>CASE NO. AVU-E-22-03</b> |
| <b>UNIVERSITY OF IDAHO’S JOINT</b>      | ) |                             |
| <b>PETITION FOR APPROVAL OF A POWER</b> | ) |                             |
| <b>PURCHASE AGREEMENT (STEAM</b>        | ) | <b>ORDER NO. 35462</b>      |
| <b>FACILITY)</b>                        | ) |                             |
|                                         | ) |                             |

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On February 23, 2022, Avista Corporation (“Avista”) and the Regents of the University of Idaho (“University”) (collectively, the “Parties”) jointly petitioned the Commission for an order approving a power purchase agreement (“Agreement”) between Avista and the University for the University’s facility comprised of three micro-steam turbine-generator sets (“Petition”). Petition at 1. The Parties requested a Commission order approving the Agreement’s effective date of February 16, 2022. *Id.* at 4.

On March 25, 2022, the Commission issued a Notice of Petition and Notice of Modified Procedure, setting public comment and Company reply deadlines. Order No. 35356.

Commission Staff (“Staff”) filed comments to which the Company replied. No other comments were received.

Having reviewed the record in this case, we issue this Order approving the joint Petition of Avista and the University as amended.

**BACKGROUND AND PETITION**

The University owns and operates an 825 kW micro-steam turbine electric generation facility (“Facility”) located in Moscow, Idaho which is connected to Avista’s electrical system. *Id.* The Parties submitted an interconnection agreement with their Petition. *See* Exhibit D to the Petition.

The University intends to use the output from the Facility to serve the University’s load first. Petition at 3. If the Facility’s output exceeds its load, the University will sell the excess energy to the Company at the avoided costs calculated at the time of delivery. *Id.* For any energy delivered from the Facility to the Point of Delivery in any hour, the avoided cost will equal the Market Energy Price for the hour expressed in \$/kilowatt-hour (“kWh”) multiplied by the total kWh delivered in that hour. *Id.*; *see also* Section 5.2 of Exhibit D.

The Parties agreed to a term of 20 years from February 16, 2022. Petition at 4.

## STAFF COMMENTS

Based on its review, Staff recommends the parties make the following changes to the Agreement: (1) remove the option, “other mutually agreed-to index;” (2) set avoided cost rates at 85% of the PowerDex hourly Mid-C index price; (3) correct the mistaken Nameplate Size in Attachment 2 of exhibit D; (4) use 85% of PowerDex hourly mid-Columbia index price as avoided cost rates for the potential of a lapsed contract period; and (5) update Article 21 to ensure any amendment or modification does not become valid without Commission authorization. Staff Comments at 2.

### 1. Avoided Cost Rates

Staff notes that the Company’s Schedule 62 Cogeneration and Small Power Production Schedule provides six rate options, none of which is purely market based. However, Staff notes the Agreement proposes to use the “PowerDex hourly Mid-C index price”—a purely market-based rate—as the avoided cost rates in the Agreement. *Id.* at 3. Staff notes that market-based rates for LEO purchases has been approved by the Commission before and does not disagree with allowing these rates in the Agreement. *Id.*

That said, Staff recommends the Parties remove the option of “other mutually agreed-to index” in Articles 1.16 and 5.2 of the Agreement because, to change the Agreement to use another market price index, the Parties would need to obtain prior Commission approval.

Staff further recommends that an 85% adjustment factor be applied to the PowerDex hourly Mid-C index price for avoided cost rates for non-firm energy generation, consistent with prior Commission orders.

### 2. Nameplate Size

Staff notes that Attachment No. 2 of Exhibit D states that the Nameplate Size is 1,050 kilowatts (“kW”) but believes it should be 825 kW. Staff notes that this discrepancy was likely an error because elsewhere in the Application the Facility’s Nameplate Capacity rating is listed as 825 kW, Exhibit A explicitly states the project consists of “three micro-steam turbine generator sets designed to produce 275 kW each”—for a total of 825 kW, and Attachment No. 2 of Exhibit D states the Maximum Generation Injection at Point of Common Coupling is 825 kW. *Id.* at 4.

### **3. Lapsed Contract Period**

Staff recommends that if the final approved effective date results in a lapsed contract period that requires retroactive rates, the Parties use 85% of the PowerDex hourly Mid-C index price for the energy delivered during the lapsed contract period.

### **4. Renewable Energy Certificates**

Staff notes that the Commission has never decided REC ownership or allocation for QF's that use market-based rates. Staff believes the Parties' agreement for the University to retain the RECs is reasonable given that the Parties are not using IRP-based avoided cost rates or published avoided cost rates, which the Commission has previously determined allocation and ownership for.

### **5. Article 21: Amendment**

Staff believes that Article 21 of the Agreement, which states that, “[n]o change, amendment or modification of any provision of this Agreement shall be valid unless set forth in a written amendment to this Agreement signed by both Parties,” should include additional language reflecting that Commission approval is required for any amendment or modification to the Agreement before it becomes valid.

Staff recommends that the Parties file an updated Agreement as a compliance filing to reflect Staff's recommended changes.

## **COMPANY REPLY COMMENTS**

The Company filed reply comments stating that it agreed with all of Staff's recommendations and that it incorporated them into an Amended Agreement. The Company filed the Amended Agreement which incorporated all of Staff's recommendations as an attachment to its comments.

## **COMMISSION DISCUSSION AND FINDINGS**

The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-501, -502, and -503. *Idaho Code* § 61-501 authorizes the Commission to “supervise and regulate every public utility in the state and to do all things necessary to carry out the spirit and intent of the [Public Utilities Law].” *Idaho Code* §§ 61-502 and -503 empower the Commission to investigate rates, charges, rules, regulations, practices, and contracts of public utilities and to determine whether they are just, reasonable, preferential, discriminatory, or in violation of any provision of law, and to fix the same by order. In addition, the Commission has authority under PURPA and FERC regulations to set avoided costs, to order electric utilities to enter fixed-term obligations for the

purchase of energy and capacity from QFs, and to implement FERC rules. The Commission may enter any final order consistent with its authority under Title 61 and PURPA.

The Commission has reviewed the record, including the Parties' Petition, Staff's comments, Avista's reply comments, and the Amended Agreement. The Amended Agreement incorporates all of Staff's recommendations. We find it to be fair, just, and reasonable to approve the Parties' Amended Agreement filed with Avista's reply comments.

**ORDER**

IT IS HEREBY ORDERED that the Amended Agreement between the Company and the University is approved, effective as of February 16, 2022.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order regarding any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 13<sup>th</sup> day of July 2022.



ERIC ANDERSON, PRESIDENT

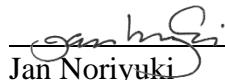


JOHN CHATBURN, COMMISSIONER



JOHN HAMMOND, COMMISSIONER

ATTEST:



Jan Noriyuki  
Commission Secretary